

Apr. 6, 2012 | Vol. 34, No. 14

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Verso surprises with \$30-60/ton hikes on publication papers in May; NewPage matches on CFS, CM hikes

Verso Paper -- second only to NewPage in North American coated paper capacity -- surprised market participants this week by slating a May 1 increase of \$30-60/ton for its coated freesheet (CFS), coated mechanical (CM), and supercalendered (SC) papers.

Verso's letter to customers Wednesday launching the first price increase of 2012 for commodity publications paper markets was quickly matched by NewPage, the largest graphic paper producer in North America excepting newsprint giant Rolute Forest Products.

Verso and NewPage separately set \$30/ton (\$1.50/cwt) increases on CFS products and \$60/ton increases on CM grades. Verso also announced a \$60/ton increase on SC grades.

The combined market share of NewPage and Verso represents about 50% of both the CFS and CM markets, according to RISI's graphic paper capacity report.

While many contacts believed mills would try to raise prices this year to combat rising input costs, most believed hikes would not come until the summer or fall.

However, specialty coated paper price increases

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FutureMark counts on single-price recovered paper contracts to sidestep export, domestic market highs

With record recovered paper prices (unadjusted for inflation) at US mills the last two years, FutureMark Paper announced that it signed three long-term supply agreements for recovered paper that set a single price for the term of each contract based on historical averages rather than on monthly moving price terms.

FutureMark CEO Steve Silver said Tuesday that the two- and three-year agreements should iron out recovered paper price highs, which don't benefit FutureMark, and lows, which don't benefit recovered paper suppliers. The agreements cover about 40% of the 125,000 tons of recovered paper that FutureMark purchases annually. Of the 125,000, FutureMark consumes 70% old magazines (OMG) and coated groundwood sections (CGS), and 30% old newspapers (ONP) and coated book stock.

One of the agreements is with RockTenn, the third largest recovered paper processor in North America last year at about 1.75 million tonnes, the second largest consumer at about 4 million tonnes, and the 11th largest exporter. For its

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With mobile phones lurking, US producers eye thermal growth from quick custom runs, label, non-POS demand

Oji Paper moved up its No. 1 global ranking for thermal paper with the purchase last fall of Fibria's Piracicaba mill in southern Brazil for \$313 million.

The acquisition includes a machine that can produce at least 42,000 tons/yr of paper for thermal coating further established Japan-based Oji in all four major world regions -- and especially in South America. The mill in Brazil adds to Oji's thermal supply bases in Ware, MA, Germany, Thailand, and Japan (as well as a converting plant in China).

With 270,000 tonnes/yr of thermal paper coating output in about a 1 million tonnes/yr and a \$2 billion/yr global market, Oji ranks in front of Germany-based Koehler, which is the first or second largest POS supplier in the USA; Mitsubishi or Appleton Papers, which is the largest overall supplier in the USA at more than 40%; and Nippon Paper, according to contacts.

From benchmark retail store POS receipts and ATM bank slips, thermal paper demand has grown the last five years. The specialty papers market for printing and writing paper producers, with grades such as for pressure-sensitive

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Containerboard

Rengo Packaging plans new corrugator plant near Honolulu, HI

Rengo Packaging (RP), a leading supplier of corrugated and packaging materials in Hawaii, plans to construct a new 150,000 ft² greenfield plant with a corrugator on the island of Oahu, the company announced.

The new facility will be constructed in the Kapolei industrial area, west of downtown Honolulu. Construction will begin in the third quarter, with the plant expected to start up by late 2013.

The new facility will be equipped with "state-of-the-art machinery," the company said. About 60 employees will work at the plant.

"Rengo Packaging's investment in the new facility is a significant commitment to the Hawaii market," said RP pres Robert Cundiff.

RP sells packaging to a variety of markets, including fruit and produce.

"Rather than bringing finished materials to Hawaii by water transport, which requires long lead times, our customers can look forward to the best quality packaging materials with substantially improved service," he said.

Rengo Packaging is a 100% wholly owned subsidiary of Rengo Co. of Japan, the largest supplier of corrugated packaging in Japan with operations throughout the Pacific Rim. Rengo was 11th ranked in global containerboard capacity in 2011 with nearly 2.05 million tonnes, according to RISI capacity figures. The firm operates containerboard mills in Japan, China, and Vietnam along with corrugated plants in China, Indonesia, Japan, Malaysia, Singapore, Thailand, and Vietnam.

RP was formed in June of 2011 when Rengo purchased the assets of Hawaii Box and Packaging (HBP). HBP was formed in 2008 when Weyerhaeuser closed its corrugated plant in Honolulu.

Also, in 2011, Rengo increased its share to 62.8% in Zhongshan Rengo Hung Hing Paper Manufacturing in China and acquired a 30% share in Hung Hing Printing Group, based in Hong Kong.

• **Cascades Norampac** division, Canada's largest corrugated box producer, acquired **Bird Packaging's** converting and warehouse facilities in Guelph (headquarters location), Kitchener, and Windsor, ON. The acquisition is to allow Norampac to "broaden its market reach in Ontario by integrating plants," Norampac pres/CEO Marc-Andre Depin said. Depin said Bird operates the latest converting equipment, and would complement Norampac's existing products and is to strengthen its higher

end package printing capabilities. Founded in 1975 by Charles and Carol Bird, Bird Packaging is a family-owned independent converter with 130 employees. It specializes in a range of packaging from point-of-purchase displays and high graphic quality boxes to industrial corrugated, according to the company.

• **RockTenn** resumed production on its smaller 500 tons/day recycled corrugating medium machine No. 1 at the Seminole mill in Jacksonville, FL, on Mar. 16, following the restart of its larger 1,100 tons/day linerboard/medium PM 2 on Feb. 25, the company confirmed. The mill resumed purchasing steam from the adjacent Cedar Bay coal-fired electricity generating plant but reportedly has been looking at the possibility of installing a new natural gas-fired cogeneration plant to generate steam and electricity (including some electricity for outside sale), according to one contact. The Seminole mill was down about three weeks in January, resumed production for a couple of weeks, and then took both machines down again in early February, according to contacts. About 41 workers returned with start of the second PM.

• **International Paper's** (IP) 500,000 tons/yr Maysville, KY, containerboard mill is to continue at its current production level, after being acquired by IP from Temple-Inland (TIN). Mill mgr Marc Cates said the mill's current staff of 112 employees is to remain in place, according to a story in the local *Ledger Independent* newspaper. Cates said that on Feb. 15, IP chmn and CEO John Faraci visited the former Temple-Inland mill and talked to employees only two days after IP completed its \$4.5 billion acquisition of TIN. Cates also noted that the mill's agreement for electricity and steam will continue with the East Kentucky Power Cooperative's Spurlock Station.

Since TIN opened Maysville in 1992, the mill's capacity grew from 800 tons/day to 1,400 tons/day while the number of employees declined over the time span, Cates told the newspaper.

VERSO LAUNCHES CM HIKE

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did begin in the USA in February and March on thermal POS and carbonless papers. Producers there also blamed high input and chemicals costs.

Weak CM demand caused some coated mills to make both CM and SC grades on the same machines, and CFS prices sustained by printers' fixed quarterly contracts are lower in the second quarter than in the first, sources said this week.

Upbeat talk. Even so, one producer contact said yesterday there was "a good

chance" of the CFS increase going through in full, along with a substantial part of the CM hike.

"Demand is not robust, but backlogs are OK and there's been some upbeat talk from end users. Target and Macy's had some pretty good first quarter earnings so things could finally be getting better," the contact said.

The second largest US retail chain behind Walmart, Target reported this week a 7.3% increase in same-store sales for its first quarter.

CM 'dreaming?' Yet some producer sources were dubious about the rationale for the increases.

"I think that (Verso) are getting ready to release their first quarter financials and need something to put in the report that shows a glimmer of hope. Unless there's some major closure announcement afoot on CM, they are dreaming," one mill contact said.

Analysts have been fairly negative of late about Verso's balance sheet, particularly last year's 9% debt increase and fourth quarter permanent shut of 10% of its capacity. Vertical Research Partners' Chip Dillon told investors recently that Verso had "bought time" by extending its credit facility and first lien notes maturities, and would "likely survive the next two years without having to issue substantial new equity or completely reorganize."

NewPage is in Ch 11 bankruptcy.

Buyers doubtful. Merchant contacts were openly skeptical about the increases being implemented, given current market conditions.

"The announcement by Verso seems to be more of an effort to stop the bleeding/price erosion before it gets much worse. I see nothing on the demand side to suggest that we will see any significant improvement in demand from either our catalog or magazine customers," one merchant said.

"Zero chance. Someone is trying to appease someone to look good and is going through the motions," said another merchant.

• **Standard & Poor's Ratings Services** (S&P) assigned 'BB-' issue-level and '1' recovery rating to **Verso's** proposed 9.75% secured notes due 2019 and affirmed its 'B' corporate credit rating on the com-

CORRECTION: *PPI Pulp & Paper Week* showed weeks of supply for box plants only in the US Containerboard Inventories at Box Plants and Mills table published Mar. 16 on p. 5. Total weeks of supply (box plants and mills) totaled 4.6 weeks for February and 4.4 weeks for January. The online and PDF versions of the table were corrected.

pany. "The stable rating outlook reflects our expectation that Verso's liquidity will remain adequate over the next year, attributable to its cash position, proposed new credit facilities, and manageable near-term debt maturity profile following the proposed exchange offer," S&P said.

Recovered Paper

Downtime at Chinese mills opens door for cuts in price, OCC down \$3-5

With sporadic mill downtime reported from China and buyers looking for discounts, US exported recovered paper pricing ducked down another \$3 as of yesterday,

compared with the level at the start of March. For old corrugated containers (OCC), the FAS level at the Long Beach port in Southern California is down nearly \$10 the last two months, following a two-month \$20 rise from early December to early February.

US OCC to a main port in China (MPC) was yesterday at \$225-230/tonne, with the FAS Long Beach port at \$185-190/ton, \$175-177 at the Port of Oakland, CA, and \$160-163 at the ports of New York and New Jersey, contacts said.

Mixed paper exported was about \$30 cheaper than OCC, and special news deink quality old newspapers No. 8 just \$3-5 more than mixed, contacts said yesterday.

"Mixed paper and news are stronger than OCC/DLK (double-lined kraft corru-

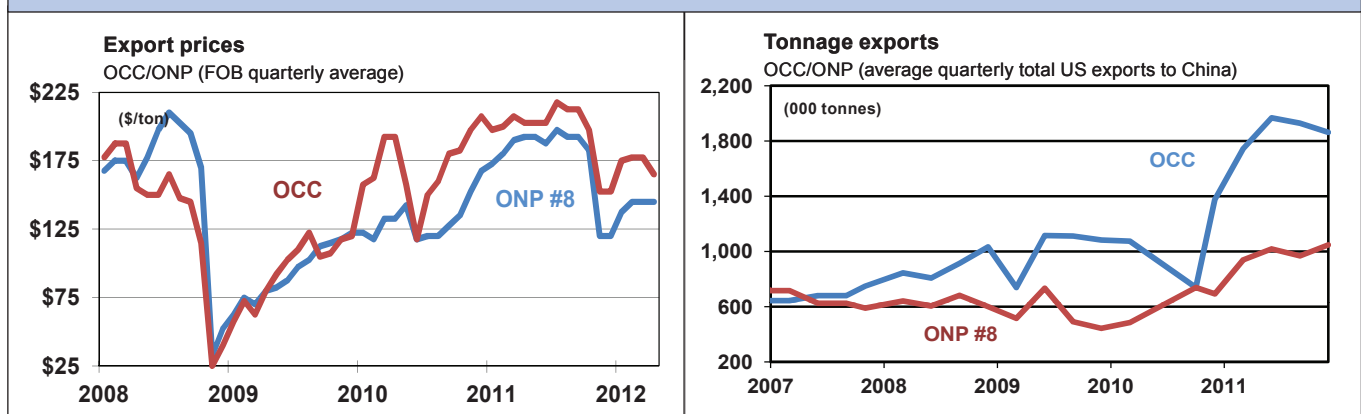
gated cuttings) but that's not saying much because demand is very weak," an exporter in the Northeast said yesterday.

Since the start of this year, OCC to China hovered between \$225-237, despite less than aggressive buying from mills, contacts said. Also, US double-sorted (DS) OCC to Nhava Sheva, India, nosedived \$25-30 in the last month to \$230-235/tonne yesterday -- nearly atop the Chinese MPC price -- which hasn't occurred in years if ever before.

"Chinese demand is still low and some mills are still taking downtime due to oversupply on linerboard," said a major supplier in Southern California.

Also, there was a holiday in China in the first half of this week, contacts said.

PRICE WATCH: US RECOVERED PAPER TO ASIA



	FOB ^{1,2}	April 2012 FAS ³	CFR ⁴	Year-to-year Apr. 2011 ¹	
	(\$/ton)	(\$/ton)	(\$/tonne)	FOB	% chg. ²
From West Coast ports (San Francisco/Los Angeles) to China/Asia⁵					
Mixed paper (2)	\$135 - 145 (+10)	\$152 - 162	\$196 - 196	\$155 - 170	-13.8%
Special news, deink quality (8)	140 - 150 (0)	157 - 167	200 - 203	185 - 200	-24.7
Corrugated containers (11)	165 - 175 (-8)	180 - 191	225 - 230	195 - 210	-16.0
New double-lined kraft corrugated cuttings (13)	185 - 195 (-10)	200 - 210	250 - 250	225 - 240	-18.3
Sorted office paper (37)	190 - 200 (+5)	205 - 215	255 - 255	250 - 265	-24.3
Sorted (postconsumer) white ledger (40)	290 - 300 (0)	305 - 315	375 - 380 ⁵	320 - 335	-9.9
From New York/New Jersey ports to China/Asia					
Mixed paper (2)	115 - 120 (+5)	133 - 137	196 - 196	140 - 145	-17.5
Special news, deink quality (8)	120 - 125 (0)	135 - 140	200 - 203	170 - 175	-29.0
Corrugated containers (11)	145 - 150 (-20)	160 - 163	225 - 230	185 - 190	-21.3
New double-lined kraft corrugated cuttings (13)	165 - 175 (-15)	180 - 190	250 - 250	215 - 220	-21.8
Sorted office paper (37)	160 - 165 (0)	180 - 180	255 - 255	260 - 265	-38.1
Sorted (postconsumer) white ledger (40)	260 - 265 (-10)	280 - 280	375 - 380 ⁵	320 - 325	-18.6
From New York/New Jersey to Nhava Sheva					
Select old corrugated containers (11)	n.a.	n.a.	225 - 225	275 - 280 ⁶	-18.9
Double-sorted old corrugated containers (12)	n.a.	n.a.	230 - 235	285 - 290 ⁶	-19.1

The prices in this table are as of Apr. 5. 1. FOB seller's dock for exports from San Francisco Bay Area and Los Angeles basin, and New York/New Jersey to China (primarily). 2. Where ranges are given, prices are averaged with the differential from the previous month in parentheses. 3. FAS price at ports in Oakland and Long Beach, CA, and Staten Island, NY, and Bayonne, Newark, and Port Elizabeth, NJ. 4. The CFR metric tonne price is for a main port in China, excluding the Nhava Sheva levels. 5. This pricing is at main ports in South Korea, Indonesia, and the Philippines. n.a.: not available; n.c.: no change; n.m.: not meaningful. r = revised. While the index information has been obtained from sources believed to be reliable, RISI does not warrant or guarantee the accuracy and completeness of the information. Numbers after each grade correspond to definitions in the current Institute of Scrap Recycling Industries Scrap Specifications Circular 2009. These are prices for paper and board mills. Source: PPI Pulp & Paper Week.

"Demand is still there," a supplier in Northern California added, "but prices continue to soften. When we see that the few orders coming in are always a few dollars lower than they offered the last time, it is understood buyers feel that prices will continue downward."

Still, last month in China, four new recycled containerboard machines -- two by Dongguan Jianhi Paper and two by Dongguan Jinzhou Paper - started up.

900,000 capacity startups. The total capacity of the four machines is 900,000 tonnes/yr and they are located in southern China in Dongguan city, Guangdong province, *PPI Asia* said. The PMs were supplied by Shandong Changhua Papermaking Machinery and Shanghai Qingliang Industry.

Lee and Man Paper planned a May startup of its PM 17, a 550,000 tonnes/yr duplex board machine in Dongguan. Nine Dragons Paper earlier this year planned to start up new board machines by June.

Roughly \$2-3/ton shipping rate increases were in this month and container availability was low at various ports, including in New York-New Jersey, according to contacts. Suppliers on both coasts pointed to a lack of containers and noted that Mediter-

ranean Shipping Co (MSC) was backed up with containers in Antwerp, Belgium.

Shipping container imbalance. "Shipping is difficult," a supplier in the US East said. "MSC is extremely backed up in Antwerp with (containers) ... that need to be transhipped to places like India and China. So they are very much limiting new bookings and bookings that are given come at a major premium. Space with other carriers is now very tight because of this."

China 72% January share. While US exports of recovered paper declined in January from December by 3%, China's January buying represented almost 72% of total exports -- which exceeds what has been China's mainly 66% share of US exports in the last few years, according to figures from the US Dept of Commerce, Bureau of Census.

China in January purchased 1.3 million tonnes of US recovered paper. Total exports for the month were 1.8 million.

India was the No. 2 largest destination for US recovered paper, with 7% of total exports and 121,161 tonnes.

About half of the tonnes purchased by China from the USA in January were OCC.

In 2011, US exports rose nearly 12% to 21.05 million tonnes with 45% of the total

being OCC. Typically, an average of two of every three US recovered paper export tonnes go to China.

With China's share up, the export markets where share declined the most in January vs December were South Korea, down 27,000 tonnes; Colombia, down 12,000; India down 10,000; and Taiwan down 7,000.

• **Jeonju Paper** expects installation by yearend of an **Andritz** FibreFlow drum pulper at its Cheongwon recycled-content newsprint mill in South Korea, Andritz reported. The Andritz drum replaces an existing pulper in the deinking system at the operation. "The FibreFlow drum will slush a mixture of old newsprint and old magazines at a maximum feed capacity of 750 tonnes/day," Andritz said. The Cheongwon mill was formerly run by **Norske Skog**, which sold the operation in 2008.

AVERAGE PAYS IN PRICE DEAL

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recycled-content board mills, RockTenn principally uses old corrugated containers. Silver wouldn't identify the other two suppliers.

US RECOVERED PAPER EXPORTS -- JANUARY 2012

Grade	Jan. 2012		(tonnes)	Jan.-Dec. 2011		% chg. year ago
	\$	Tonnes	% chg. month ago	\$	Tonnes	
News	\$62,607,330	410,643	-10.0%	\$817,085,585	4,951,215	7.0%
Deinking	13,284,160	55,216	-4.1	170,286,858	600,061	13.5
Pulp substitutes	33,293,525	156,135	3.6	461,853,156	1,967,075	5.7
Corrugated	141,965,503	829,233	-2.0	1,601,062,812	9,380,610	27.7
Mixed	54,920,802	362,831	0.6	711,733,720	4,152,089	-6.7
Total	306,071,320	1,814,058	-3.0%	3,762,022,131	21,051,050	11.9%
Major Destinations						
Jan. 2012	News	Deinking	Pulp Substitutes	Corrugated	Mixed	Total
Canada	21,605	6,282	1,680	19,421	13,943	62,931
Mexico	14,396	3,306	25,936	27,981	15,934	87,553
Venezuela	0	210	650	69	5,598	6,527
Chile	0	2,474	78	1,749	507	4,808
Colombia	6,054	1,397	1,370	472	2,325	11,618
El Salvador	493	2,658	1,058	1,103	744	6,056
Italy	732	1,137	2,395	2,118	302	6,684
India	9,919	18,491	5,455	59,570	27,726	121,161
Thailand	770	21	1,126	12,229	12,018	26,164
Indonesia	3,478	210	0	4,448	8,579	16,715
Philippines	593	812	1,854	1,475	759	5,493
China/Hong Kong	328,293	6,203	103,617	645,969	216,401	1,300,483
Rep. Korea	18,047	3,608	1,350	21,969	39,485	84,459
Taiwan	1,304	0	2,914	11,889	3,345	19,452
Japan	85	880	145	549	1,255	2,914
Total	405,769	47,689	149,628	811,011	348,921	1,763,018

Source: US Dept of Commerce, Bureau of Census.

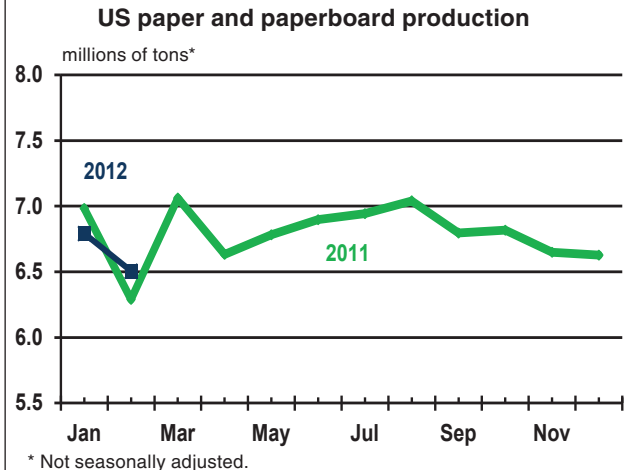
MONTH IN STATISTICS

US **paper** and **board** production increased slightly, by 0.1% and 18,000 tons, in January and February this year vs February in 2011 output, according to American Forest & Paper Association figures.

The increase resulted from a 6.5-million-ton production total that was up 3.4% vs February 2011 production. US mills operated at 91.4% of capacity in February -- its highest monthly total since September. Further, paper production rose 1.5% in February, led by **uncoated freesheet** (UFS) paper. UFS production in the first two months was up by 0.7%.

Both **tissue** and **linerboard** production were up 2.6% in the first two months, and **liquid packaging and food service boxboard** grades were up 4.1%.

The hardest hit grades were **newsprint**, with January-February production down 11%, and **solid bleached sulfate board**, down 9%.



PAPER & PAPERBOARD PRODUCTION ¹

		Current Month	same month year ago	% chg. 2012/11	Year to date 2012	Year to date 2011	% chg. 2012/11
Newsprint	Feb.	253	270	-6.3%	512	576	-11.1%
Uncoated mechanical (s)	Feb.	139	149	-6.7	280	306	-8.5
Coated paper (s)	Feb.	573	560	2.3	1,171	1,182	-0.9
Uncoated freesheet (s)	Feb.	758	735	3.1	1,536	1,525	0.7
Tissue	Feb.	585	549	6.6	1,201	1,171	2.6
Total paper	Feb.	2,702	2,662	1.5	5,501	5,591	-1.6
Linerboard	Feb.	1,923	1,806	6.5	3,966	3,864	2.6
Corrugating medium	Feb.	793	757	4.8	1,624	1,586	2.4
SBS boxboard	Feb.	180	184	-2.2	357	394	-9.4
Unbleached kraft boxboard	Feb.	214	193	10.9	424	405	4.7
Liquid packaging/food service board	Feb.	244	225	8.4	495	475	4.2
Recycled boxboard	Feb.	178	178	0.0	370	377	-1.9
Total paperboard	Feb.	3,803	3,628	4.8	7,790	7,682	1.4
Total paper and paperboard	Feb.	6,504	6,290	3.4	13,291	13,273	0.1

n.a. = not available. SBS: solid bleached sulfate. Linerboard and medium totals are for both virgin and recycled contents. Note: Figures in 000 short tons unless otherwise listed. (s)=shipments. n.a.=not available. 1. American Forest & Paper Assn.

FutureMark will gain most of material linked to the average-price agreement from the Chicago area near its Alsip, IL, 165,000 tons/yr almost 100% recycled content coated printing and writing papers mill. The rest of the material will come from Ohio and Indiana, Silver said.

Unique recovered paper deals. These price-average arrangements appear unique.

US recovered paper prices for mills now predominantly move based on or influenced by levels reported every month by publications.

"It seems that stabilizing costs with long-term contracts is just common sense. Waste paper prices ranged by more than 50% last year. That's like putting your entire paycheck into a lottery ticket (each month)," Silver told *PPI Pulp & Paper Week*. "Now that we've got these agreements in place, costs are far more predictable. We and our partners know what the price will be, and there's no drama."

Silver wants FutureMark to lock up as much as 60-65% of the recovered paper it buys annually from suppliers with average price contracts.

"I can tell you that my bank is really happy we did this," said Silver, especially if FutureMark seeks capital for projects and new products, or acquisitions. "These types of long-term contracts will hopefully spread and take a lot of the uncertainty out of the cost of producing recycled paper."

Critics questioned how widespread the approach at FutureMark with RockTenn and other suppliers can go, noting that suppliers with average price deals could be financially hurt when or if prices skyrocketed, such as from strong export and domestic demand.

Silver cited that the preset price over the contract term is above the collectors' costs for buying and processing the tonnage, and within what FutureMark can afford to pay to be profitable.

Extraordinary volatility. Recovered paper pricing for US mills in the last three years has been more volatile than ever before. In the last two years, various US paper and board producers that buy large volumes of recovered paper went bankrupt or out of business: Blue Heron Paper, Catalyst Paper, Grays Harbor Paper, Manistique Paper, Newark Group, and White Birch/SP Newsprint. For graphic paper producers such as Blue Heron, Grays Harbor, and Manistique Paper, high recovered paper prices played central roles. Last year, ground-wood recovered paper prices rose about 33% vs their 2010 average, and 2010's average was up more than 40% over 2009's market low, which was caused by a price freefall in late 2008.

In 2008-2009, ONP No. 8 at US mills dropped \$130/ton in six months. A second, less severe plummet occurred in the second half of 2011, with ONP falling \$50. Even so, in 2011, ONP No. 8 reached a record

high average. ONP No. 8 last year typically ran \$15-25 less than OMG and CGS.

In the last three years, ONP No. 8 for US mills averaged \$99 and was \$130 last year, at the FOB seller's dock. To China, US ONP No. 8 sold on average \$44 higher over the three years, on an FOB sellers dock basis.

Rising capacity in China. For the No. 8, US average pricing at mills increased \$61/ton in 2011 from 2009 on average -- and US export pricing to a main port in China rose \$85/ton during the period.

In the last 10 years, China's demand for US recovered paper has skyrocketed as China's paper and board capacity rose about 200% from 37.8 million tonnes in 2000 to 110.59 million in 2011 and plans call for 127 million in 2013, based on RISI estimates.

"This is China (as) one 800-lb gorilla determining if everyone pays more or pays less," Silver said. "It's too unpredictable, and it's no way to run a business, either as a buyer or a seller."

Fairmont mill back up, expected to be running normally early next week

Fibrex today was in the process of restarting its 235,000 tons/market deinked pulp (MDIP) mill in Fairmont, WV, and it was expected that the mill would be fully operational by the beginning of next week, contacts said. The mill shut lasted almost seven weeks.

In February, Fibrex said it would take market-related downtime at Fairmont for about five weeks, beginning Feb. 20 "to manage its inventories as a result of current market conditions, while continuing to fulfill all customer commitments." The five weeks of downtime was to remove about 25,000 tonnes of the firm's so-called recycled bleached kraft pulp.

The Fairmont mill is the largest MDIP mill by capacity in North America.

Contacts said that deliveries of the mill's key material, office paper (OP), were reduced significantly in March and that the operation was buying normally in April. Several contacts expected either a hold on OP pricing in the US East for April or a possible decline.

• **Mercer International** extended the expiry of its offer for **Fibrex** to Apr. 16 to give shareholders an opportunity to approve its bid at an Apr. 10 meeting, and said about 28 million shares (representing about 36.5% of Fibrex) had already been tendered. Mercer also said its offer had received a favorable review by Canada's Minister of Industry and been granted early termination of the statutory waiting period for

US competition and antitrust review by the US Federal Trade Commission. **Resolute Forest Products** extended its rival bid for Fibrex to Apr. 11 and said 59.5 million shares representing 45.7% of the company had been tendered to its lesser offer.

THERMAL FOCUS ON DEMAND « continued from page 1

material labels and flexible packaging, are expanding -- even though the overall landscape for commodity printing/writing publication papers in the USA is in large decline. Capacities for both uncoated and coated papers are down 25-35% since 2000.

Non-POS in more focus. While some in the USA see less thermal POS demand three or four years out, the future for the coated specialty grade may primarily rest on anticipated growth from a variety of non-POS products, including HP Indigo printing for fast and customized jobs including concert, sports, and theater tickets, nickel-sized pressure-sensitive labels for fruits such as apples, POD Variable Information Printing for personalized marketing papers, and casino slot machine and ski tickets as well as hunting licenses, luggage tags, and parcel stickers. In the last few years, US non-POS grade production grew rapidly from about 30,000 to an anticipated about 100,000 tons this year, according to contacts.

Still, uncertainty about the growth of smart phones that could take more paper transactions online is also at the forefront for the sector in terms of strategic issues for US producers, converters, and end users.

"Technology (is) reducing thermal POS paper demand," said a contact with a producer, with "e-mailed receipts, receipts on demand only, smart-phone boarding passes, online lotteries."

"How will acceptance of these technologies influence demand?" the contact asked. "POS will reduce, but label and specialty applications will grow at a greater rate than POS demand falls off. More and more thermal producers will focus on the value added grades and fewer producers will focus on lightweight for POS."

Saturated POS in the USA. "POS is saturated (in the USA). Emerging markets for POS are not saturated yet," added another contact with a producer.

"The next two years will see a slow change (on thermal paper demand) as customers continue to use paper as a means to communicate to their customers via surveys, coupons, and ads," said a contact with a US converter.

"Paper receipts aren't going away until 'everyone' has a smart phone. There are still

a lot of folks without one," the contact said this week.

While watching downstream demand dynamics, thermal paper producers also focus vividly, and much more than with commodity paper or board grades, on coating quality from the mixing of dyes, pigments, and binders, and efficiency, and whether big equipment manufacturers such as Epson, Zebra, Intermec, Citizen, TEC, and Boca make printers that enhance thermal technology, contacts said. In the end, the thermal paper-printer's key sell point is that the product works in any weather condition and is at the lowest print price point, said one contact with a producer.

In Ware, Kanzaki Specialty Papers coats about 85,000 tons/yr of base paper from the Northeast and Midwest on three coaters. The operation includes four slitters. Kanzaki also makes a direct thermal Indigo sheet for an Indigo press and has applied for a patent on the product.

Appleton coats about 140,000 tons/yr at the West Carrollton, OH, mill where it runs one coater, and at the Appleton, WI, converting plant, which runs three coaters. Appleton late last year noted a bigger focus on non-POS products. The firm reported a reduction in fourth quarter POS sales (vs fourth quarter 2010 POS sales).

340,000-ton US market. US market demand totals about 340,000 tons/yr, with two thirds in POS and one third at non-POS. Imports represent almost 35% of US demand, with Koehler exporting at least 100,000 of about 110,000 tons/yr to the USA. Another 30,000 tons/yr of US thermal paper production, mainly from Appleton Papers, are exported, contacts said.

The coated thermal paper rolls are cut to a customer's size by converters. The three largest are NCR, Cenveo, and RiteMade, contacts said.

NCR's connection is the most direct and dramatic not only because the firm is by far the largest volume converter in the USA, but also because NCR makes ATM, store self check-out, and movie rental kiosk terminals that run thermal paper. NCR also introduced two-sided coated thermal paper, which has been slow growing in the POS marketplace, and late last month in a high-tech test started up virtual teller talking ATMs in Sussex County (NJ), contacts said. Cenveo acquired Nashua in 2009 and gained a good-sized POS converting business, including in labels.

POS demand is for 48- and 55-g grades, basically on a 50-50% volume scale, but producers such as Kanzaki produce a range of basis weights from 40- to 180-g. Contacts also claim that they believe the POS market will move more and more toward 48-g coated thermal paper. In POS, Koehler volume represents about 45% of

the segment's demand, Appleton's is 40-45%, and Kanzaki's about 12%, according to contacts. In non-POS, Kanzaki's share is about 50% and Appleton's about 40%. Overall, Appleton is No. 1 in US thermal paper demand at more than 40% followed by Koehler at nearly 30% and Kanzaki at about 25%. The remaining more than 5% comes mainly from South Korea's Hansol, Germany's Mitsubishi Hi-Tec, or Chinese suppliers who along with Koehler and Mitsubishi Hi-Tec must pay import duties on their POS lightweight thermal papers. Those duties were levied in 2008, following an Appleton Papers complaint.

At the same time, Koehler was looking for an operation in the USA, either a coater only or both a coater and base paper machine, and did so up until 2010 before canning the project.

Appleton this summer is expected to shut three paper machines at the West Carrollton mill -- which is not pulp integrated -- and will rely fully on Domtar uncoated freesheet base paper for coating at the complex. This week, Appleton Papers said it would start cutting staff in late May at the mill as part of an effort to cut 330 jobs. Appleton in 2008 put in a new thermal coater for \$100 million at West Carrollton. Another \$25 million of the project called for a capacity add on a paper machine.

Appleton still makes some thermal base paper at its other mill in Roaring Spring, PA, which is pulp integrated, and turns West Carrollton into an operation like Kanzaki's in Ware, which is coating focused.

- Thermal paper 48- and 55-g non-top coated POS pricing rose slightly in March in the USA on the back of increases by **Appleton Papers** and **Kanzaki**, and were expected to rise again this month, contacts said recently. **Koehler's** increase was effective Apr. 1. The 5% price increase first hit converters in late February. The 48/55-g pricing is up 21% over the last almost two years after a string of increases that began in July 2010, according to *PPI Pulp & Paper Week's* pricing for the grade. The increases occurred after a 5% price decline over 18 months.

- **Ahlstrom** is increasing to 50% its 41.7% share in **Jujo Thermal**, the companies said this week. The other 50% share in the Finland-based Jujo is held by **Nippon Paper Group**.

Printers

Quad/Graphics looks to India venture, Donnelley to iPad retail catalog app

With an ongoing eye on the changing print market, two of the world's largest printers

-- RR Donnelley & Sons and Quad/Graphics -- took expansion steps, with one acquiring an iPad shopping app producer in California and the other acquiring a minority share in a print services firm in India.

Donnelley announced its equity stake in San Francisco-based Real Valuable Corporation, which produces CoffeeTable iPad catalog shopping app (coffeetable.com). In India, Quad/Graphics entered into a strategic partnership for a minority share in Manipal Technologies (ManipalTech), which it called India's largest print services and end-to-end business solutions provider.

Donnelley said "CoffeeTable offers a discovery-based tablet shopping experience for consumers to browse and shop across multiple retailers and provides a comprehensive set of data analytics to help drive retailers' multi-channel marketing strategies."

In the last several years, Donnelley has pushed its business profile out to include physical press printing with an array of publisher-printer related digital and online efforts.

"The addition of CoffeeTable enables us to craft even more extensive end-to-end solutions for our customers," said Donnelley pres/CEO Thomas Quinlan, in the release.

Donnelley said the CoffeeTable iPad app "connects the inspiration of traditional catalogs with the instant gratification of e-commerce" and offers "usage data to deliver catalog analytics to aid retailers' channel planning." More than 100 catalogs are available on the app.

In India, Quad/Graphics, which just gained printing plants in Mexico as part of an exchange with Transcontinental, believes the ManipalTech share gives "us a strong foothold in another emerging market with a large and growing middle class that is attractive to marketers and publishers," Quad/Graphics pres/CEO Joel Quadracci said in a release.

With 2,000 employees at plants in Manipal, Chennai, Mumbai, and Delhi, and about \$90 million/yr in revenue, ManipalTech prints security products, such as debit and credit cards, bank checks, and drafts, revenue-assurance labels, pre-paid phone cards, gift vouchers, and personalized holograms as well as magazines, catalogs, books, envelopes and stationery, and labels.

Manipal is now working on products with embedded technology, biometrics such as fingerprints and iris recognition, and printed electronics and interactive print features such as near field communication, Quad/Graphics said.

Direct mail addition. Also, this week, Quad/Graphics QuadDirect installed a press aimed for inline direct mail production and a greater variety of direct

mail products at its plant in Pewaukee, WI. Quadracci said the new press "redefines inline direct mail printing by building in the newest component capabilities required to produce increasingly personalized, targeted, and engaging direct mail promotions."

- **Ripon Printers** in Ripon, WI, acquired "certain business interests and assets" of Sells Printing of New Berlin, WI, the companies said Tuesday. Combined annual sales of the two companies total about \$55 million/yr. The firms print catalogs, publications, manuals, and soft-cover educational products.

- **Focus Direct** is closing its San Antonio, TX, production facility by June and eliminating 78 jobs. Focus The San Antonio direct mail work will go to larger facilities in Iowa and Virginia, a local media story said.

- Oxnard, CA-based **Custom Printing** merged with Ojai Printing in Ventura County and the firm will operate out of Custom's 30,000-ft² plant. The family-owned Custom Printing said it prints products for customers such as K-Swiss Footwear and Warner Brothers Studios.

- Citing that demand is growing for paper wrapping, **Buhrs** this week said it launched a new developed paper wrapping system, the Buhrs 5000, where wrapping and inkjetting are combined inline. "Originally, paper wrapping was seen as an ecological equivalent of poly wrapping, however, it is now increasingly seen as a replacement for the traditional envelope, especially in the high volume mail segment for Direct Mail, Transactional, and Transpromotional mail," Buhrs said.

News briefs

The **US International Trade Commission** (ITC) may decide by early June if **Julius Glatz'** limited ignition proclivity (LIP) cigarettes violate patents by US producer **Schweitzer-Mauduit** (SWM). The ITC could block the import of the Glatz LIPs into the USA, Bloomberg reported. SWM makes papers under Alginex, and has said in filings that it has additional patents protecting its brand from competitors. Glatz exports into the USA through Charlotte, NC-based **KneX Worldwide**, according to documents in the case, and is growing in the USA with its Signal and Skydancer brands, discount cigarettes produced by American Indian tribes and sold online. In October, SWM said it settled its dispute with Germany-based **Delfortgroup AG**, and its distributor, Astra Tobacco Corp. of Chapel Hill, NC. Under the terms of the agreement, Delfortgroup agreed to pay a minimum of \$4 million a

year for five years, with additional payments through the life of the patents, some of which last through 2023. All 50 US states and the District of Columbia passed laws requiring so-called LIP cigarettes. SWM said in its complaint that it has about 23% of the global cigarette-paper market and supplies about 80% of the US market for LIP papers... Electronics manufacturer **LG Display** said it started mass production of the world's first e-ink plastic electronic paper display (EPD) for use in e-books and said it is a third slimmer and half the weight of existing glass displays. "With the world's first plastic EPD, LG Display has once again proven its reputation for leadership and innovation with a product we believe will help greatly popularize the e-book market," said LG Display's Mobile/OLED division Head of Operations Sang Duck Yeo. The company believes the size of the e-book market will grow from 28.9 million units in 2011 to 84.8 million units by 2018... Fundamental changes to the US daily newspaper were forecast at a Washington DC meeting of the **News-paper Association of America**, the **Associated Press** and the **American Society of Newspaper Editors**, the *Financial Times* reported. Publishers said digital subscriptions were ahead of expectations and charging for online news had not caused the loss of web traffic many had feared, while consumers' adoption of tablets and smartphones had driven a 70% jump mobile unique visitors. While asserting that print has a lot of life left they forecast shrinking editions, and that perhaps on weekdays when circulation is typically lowest print editions might focus only on sport or business. The meeting came as a **Generator Research** report estimated that newspapers in North America still face a decline in their total print and digital revenues, from \$36.4 billion in 2011 to \$32 billion in 2012, dragged down by a 23% fall in print advertising and 15% drop in print subscriptions... The government of Kenya may buy a 40% share in **De La Rue's** Currency and Security Printing Kenya Ltd operation, which produces currency for Kenya, reports in Kenya said this week. De La Rue was considering shutting its Ruaraka factory, NTV in Kenya reported. **Crane & Company** makes US currency and has been expanding globally as well... **Pactiv** expects to close its Molded Fiber facility in Griffith, IN, before yearend... **CN** announced today a new steel-wheel-interchange service with **CSXT** Transportation (CSX) that is to provide container imports from the ports of Vancouver and Prince Rupert, BC, "efficient access" to key Ohio Valley markets, including Cleveland, Columbus, and Cincinnati, OH, and Louis-

ville, KY, CN said. Prior to this agreement, CN and CSX exchanged container traffic in Chicago by truck, instead of directly between railroads. CN also is in an interchange agreements with **Norfolk Southern** for container traffic moving over the Chicago gateway to US Northeast, CN said... **Ancor** will acquire **Aluprint** tobacco packaging plant in Monterrey, Mexico, for \$40 million in a transaction expected to close in July, the company said. The Monterrey plant was constructed in 2009 at an approximate cost of \$40 million and the acquisition price represents the book value of assets acquired, comprising the plant at Monterrey, a cylinder engraving operation, and working capital. The business has sales of \$30 million. This follows Amcor's recently announced purchase of a tobacco packaging operation in Argentina. The company also announced this month it reached agreement to acquire flexible packaging firm **Aperio Group** for \$238 million. Aperio operates 13 manufacturing facilities across Australia and New Zealand and a modern facility in Thailand, and generates annual revenue of about A\$350 million. Amcor also announced an A\$19.8 million acquisition of **Uniglobe**, a flexible packaging business based in India.

People news

Tetra Pak North America hired Jason Pelz as VP of Sustainability and Recycling

Programs. Pelz joins Tetra Pak from **Waste Management Recycle America** where he was Dir of Global Export Sales and, before that, he was with the **Pelz Group**.

NewPage promoted three employees to new management positions in its specialty papers business: Dawn Soucek to Business Innovation Mgr, Sandra Trzebiatowski to Commercial Mgr, and Audra Franz to NewPage Stevens Point (WI) Mill Controller.

Reports

RISI announced the release of its new Mill Asset Database, which combines new pulp and paper mill data with information previously available from five separate RISI services: the Lockwood-Post Online Directory of Pulp & Paper Mills, the Global Mill Projects Database, the Mill Investment History Database, Pulp & Paper Company Profiles, and elements from its cost benchmarking service, Analytical Cornerstone 4.0. "These aggregated data along with intuitive, new tools will make it easy for our clients to search, analyze, customize, and download information about pulp and paper mills," said RISI VP of Mill Intelligence Surya P. Raina. The Mill Asset Database allows users to create custom reports on 3,800 mills and 13,000 mill projects worldwide. For more information about the Mill Asset Database, please visit www.risi.com/milldata.

PULP&PAPER WEEK

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Published 48 times per year on a weekly basis, except for four weeks (January, July, November, and December). Canadian GST Permit 124513185.

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